

Saimaa University of Applied Sciences
Business and Culture, Imatra
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Creating Guidelines for Strategic Process for Program Service Provider

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Abstract

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The purpose of the thesis was to design a guideline of creating the strategy for a program service provider operating within natural visitor attraction. Another objective was to explicate strategic process phase by phase and present a possible strategy.

Theoretical part was gathered from literature. Empirical part of the thesis was based on two interviews with a general manager of a case company. The results were used to develop a strategy. Due to the extent of the bachelor's thesis, the work includes only implementation of one strategic decision focusing on managing customer relationship (CRM).

This study results in the guideline which presents a current strategy. In addition, it provides an outline of strategic process, introduces implementation of CRM decision, and suggests a framework that can be used for future analysis. Strategy was adapted and adopted to meet needs and capabilities of the case company. Balanced Scorecard is also covered in the course of implementation and evaluation stages.

Keywords: strategic management, small business, visitor attraction

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- Appendix 1 Guidelines for the program service provider
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1 Introduction

The topic of strategic management is widely covered by many authors, for example, R.S. Kaplan, D.P. Norton, N. Evans, L. Moutinho and M.I. Katsioloudes. However, the books provide mostly theoretical information and consider high levels e.g. national tourism strategy. The lack of information and case studies make it difficult for start-up entrepreneurs to sufficiently analyze the current position of their businesses and set the right strategy for further development.

Moreover, according to the research by Kaplan and Norton (2001, pp. 369-370), many large companies were suffering because initially their business model and strategy were not sufficient enough. With the growing size and increasing associated organizational inertia it made it particularly difficult to adapt any new strategy. Consequently, it is a key issue for the organization to set the right planning from the beginning. Therefore, the aim of the thesis is to create special guidelines for a small program service companies operating in tourism industry. This guideline is going to highlight the most important and challenging issues that could be faced by a provider while setting up and implementing a strategy. Due to the extent of the bachelor thesis, the work is going to include only implementation of one strategic decision which is focusing on pre- and after-sales.

A broader strategy could assist in building authoritative practices and regulations to avoid knowledge leak and help create better value for the customers. Thus, the major purpose of the project is to convey the importance of strategic planning to owners of small companies. Besides, the guidelines include most common pitfalls and thereby prevent entrepreneurs from making mistakes that might result in money loss or difficulties for management.

The first step is to define the term “natural visitor attraction” and describe related operations. This helps obtain knowledge and summarize core business needs a small service company may have. In addition to theoretical input, a

representative of a service provider (case company) is interviewed to get practical input on the subject.

Theoretical and practical materials will be analyzed and then combined. This stage results in the summary of a business concept. This output assists in defining operations common to this particular type of tourism business: small newcomer organizations running within natural visitor attraction.

As the company has to develop and go forward with operations, it is essential to create a strategy for their business and use supporting technologies to achieve its maximum value and give foundation for its development.

2 Terms and definitions

In this chapter terms such as program service provider and visitor attractions are defined. Also it highlights challenges faced by small businesses operating within natural visitor attraction.

2.1 Program service provider

The project focuses on small businesses operating within natural visitor attractions (national park, lake, etc) and providing activities like hiking tours, ATV (All-Terrain Vehicle) safaris, etc. According to European Commission, there are three types of small and medium-sized enterprises (SMEs). The first one, *micro business*, employs fewer than 10 employees, second is *small business* with maximum 50 employees. The third type is *medium-sized* which provides fewer than 250 working places. In this work the term small business enterprise (SBEs) will be used for micro businesses.

2.2 Visitor attraction

Along with the transport and accommodation sector, attractions are one of the main components of tourism industry (Page 2011, p. 215). Attractions motivate tourists to visit particular places, consequently, to use local services. Moreover, as Swarbrooke (2000, p. 262) states attractions are a crucial part of the appeal,

atmosphere and comprehensive experience that visitors anticipate to consume as the result of their visit.

2.2.1 Definition

It is important to distinguish attractions from destinations as destinations are larger areas including a number of attractions (single units, individual sites) and support services. (Swarbrooke 2006, p. 9.)

“Visitor attractions are at the heart of tourism industry” Swarbrooke (2006) claims, however, nowadays it is challenging to define “visitor attraction”. Other authors state that “a tourist attraction is a named site with a specific human or natural feature which is the focus of visitor and management attention”. The term “tourist attraction”, however, is occasionally claimed as a misnomer due to the fact that majority of attraction visitors are not tourists but rather day-visitors and come from the region where the attraction is located. Therefore, it is suggested using “visitor attraction” instead of “tourist attraction”. Thus, in this work the term attraction is used in the meaning of a clearly defined small-scale geographical area that motivates people to visit for a short, limited period. (Swarbrooke 2006, pp. 4-9.)

2.2.2 Typology

There are many typologies defining attraction types: classifying by length of stay, dependency on natural and cultural factors, physical environment, the focus of activity, etc. Swarbrooke (2006, pp. 5-7) identifies 4 main categories:

- features within the natural environment (natural attractions) such as beaches, caves, rock faces, rivers and lakes, forests;
- human-made buildings, structures and sites that were designed for a purpose other than attracting visitors e.g. cathedrals and churches, archaeological sites and ancient monuments, historic gardens, stream railways, reservoirs;
- human-made and purpose built to attract tourists (amusement parks, theme parks, safari parks, health spas, etc);

- special events.

This work focuses on service provider operating within natural visitor attraction. The term “visitor” implies that both resident and non-resident travellers as well as both long-term (staying a day or more at the attraction or in its vicinity) and short-term (staying less than a day) visitors are considered in the scope of the thesis. Any further mentioning of “visitor attraction” in the text implies one specific category: natural visitor attraction.

2.2.3 Operating within natural visitor attraction

SMEs operating within natural visitor attraction are forced to cope with the limits set by nature, operate under strict environmental limitations and with narrow scope for business development. For example, in order to avoid erosion, destruction of vegetation, and excessive pollution only a specific number of visitors could be allowed within established time period. This already constrains profit and forces business to find alternative ways to increase their income. (Manning 2001.)

Besides the risk of overcrowding the attraction, a service provider might run into infrastructure-related problems. In contrast with human-made attractions where its location was considered well in advance, service provider may face a challenge of poor or even lack of proper infrastructure. It could result in vast investments in its development e.g. parking lots, roads, provision of visitor facilities, etc. (Garrod et al. 2006.)

Ivaniš' research (2011) indicates that forming clusters in tourism destinations will increase the competitiveness of SMEs, which will lead to an increase of destination's competitiveness as cluster members will be stimulated by internal competition and cooperation. Another article by Pesämaa and Hair (2008) emphasizes that companies sharing cooperative strategies show more successful results. Thus, the service provider needs to focus on co-operation with other tourism companies located nearby.

To conclude, each visitor attraction has its own features, and it is crucial for a service provider to take into consideration environmental impacts e.g. pollution. Secondly, it is important to know your visitor capacity. It helps to set right capacity framework and hence relevant business activities: marketing, resource allocation such as human (employees), technical (the amount of equipment), financial; and many others. Also location has a significant influence on infrastructure and hence on business operations. Fourth point is cooperation of businesses operating within particular natural attraction in order to strengthen their and destination's competitiveness.

3 Business concept for the program service provider

After carefully considering theoretical aspects of visitor attraction and practical operations of the case company (see Chapter 5), it is possible now to define business concept common to this particular type of tourism business: small newcomer organizations running within natural visitor attraction.

Mission

Service provider develops and delivers products (*activities*) such as ATV and snowmobile safaris, hiking tours, bike tours, etc and also rental services to their customers. The company operates within well-established safety measures and ensures customers' safety and security during activities. By providing personalized customer approach the service provider generates unique business value thereby creating relative competitive advantage for the customers (Formpipe 2014).

Vision

As for vision, service provider's goals are:

- to become the market leader in their area;
- to create outstanding customer value and retain a high satisfaction level;
- to develop a comprehensive network of partners;
- to be an attractive working place.

Core values

Values for service providers could be the following:

- Employees' perspective
 - Team: as it is a family-run business, all people working together should respect and support each other.
 - Passion: passionate attitude towards the work and attention to details
 - Diversity: diverse skills and experiences, backgrounds and ideas

- Customers' perspective
 - Creating fun: creating unforgettable experience and memories for customers
 - Customer satisfaction: create outstanding customer value and retain a high satisfaction level

- Business operation's perspective
 - Integrity: cohesive process organization, a certain wholeness between functions and participants
 - Efficiency: efficient ways to perform tasks and solve problems in the least wasteful manner; constant commitment to improve performance

- Product perspective
 - Quality: quality service that exceeds customer's expectations and needs
 - Environmental friendliness: activities are designed in such way to minimize negative environmental impact, to protect and preserve natural heritage.

The business strategy of the service provider is based on the Mission, Vision and Values presented above, and interview results (see Chapter 5).

4 Building the strategy for the program service provider

The word *strategy* is a broad and commonly used term. Wright describes strategy as plans of top management to achieve results which are consistent with company's missions and goals (Mintzberg 1998). According to Mintzberg (1998) strategy is described by 5Ps: plan, ploy, pattern, position and perspective. By understanding and considering each P, entrepreneur could build a strong and successful strategy and utilize company's capabilities and advantages to a full extent.

Another perspective on strategy is by Professor Chandler of Harvard Business School. Strategy contents could be divided into three main components:

- *Defining long term-goals;*
- *Designing and adapting the right course of action* i.e. there are various ways to achieve particular long-term goal, and different aspects should be brought into consideration, for example, internal and external factors (SWOT analysis);
- *Resource allocation* is a crucial component because it affects the costs and set the limits to strategic implementation. For instance, lack of financial resource could affect the choice of IT-solution: acquiring free software instead of paid one. Besides financial resource, there are 3 more key categories: human (employees), tangible (real estate, equipment, inventory, etc), and intellectual (know-how, brand names, patents, logos, etc). (Evans et al. 2003, p. 12)

In contrast, Microsoft Project (2007a) introduces different types of resources:

- *Work:* people and equipment needed to perform a particular task. Work is charged with time.
- *Material:* consumable supplies
- *Cost:* expenses

In this thesis, resource categories are a result of combination of two above listed above typologies: human (employees), material (equipment, supplies),

cost, work (time), and intangible (brand equity). Consequently, each task is assigned with a responsible person, materials (snowmobile, petrol, outfits, etc), costs and time. Such system allows controlling work load of employees, equipment usage, variable costs and other issues in an easy way. Furthermore, it prevents resources from overlapping and let entrepreneur perform resource forecasting (Microsoft 2007a).

It is crucial to understand that in this work SMEs are considered. Their company's size is rather small, and it is important not to over formalize processes. The study on formalized planning in small business by Baird, Lyles and Orris (1994) showed there were no significant difference in terms of return on equity and return on assets between SMEs with formal and non-formal planning.

However, formal planning should be engaged to some extent as the same study also indicated small business with reliance on a formal planning process dedicate more attention to vision statement, developing distinctive competencies, determining authority relationships, allocating resources, and monitoring implementation. Moreover, entrepreneur obtains a more comprehensive knowledge of company's future.

4.1 Strategic management

Figure 1 reflects main distinctive stages of strategic process. The first step is strategic analysis. Internal analysis reflects organizational strengths and weaknesses. In its turn, external analysis examines company's external operational environment. (Evans et al. 2003.) Usually it is advised to use PEST (Political, Economic, Social and Technological factors) framework to perform analysis of opportunities and threats. A broader framework is SCEPTICAL which considers Social, Cultural, Economic, Physical, Technical, International, Communications and infrastructure, Administrative and institutional, Legal and political factors. Sometimes an additional step could be made to identify the most pressing matters of performed analysis which results in a list of *key issues*. (Moutinho 2000.)



Figure 1. A schema of the strategic process

Once internal strengths and weaknesses, and external opportunities and threats are defined, entrepreneur shall design the strategy addressing weaknesses and threats, supplementary seizing opportunities and exploiting company's strengths. It might be a challenge for a manager to make assessment of available options and its consequences, and select a right strategic course. (Moutinho 2000.)

Last step is to implement selected strategic decisions and evaluate results. The balanced scorecard (BSC) is a means to evaluate corporate performance from four different perspectives: financial, internal, customer, and learning and growth perspectives (Protti 2001).

4.2 Strategic thinking

While talking about strategic management, strategic planning of SME is mostly dependant on the entrepreneur. Cathy A. Enz (2010) claims that to develop a right strategy a manager must be a strategic thinker, who possesses the following six characteristics: intent-focused, comprehensive, opportunistic, long-term oriented, built on the past and present, hypothesis-driven. Moreover,

strategic thinkers are commonly associated with people who can think outside the box, and have holistic approach to problems.

In majority cases entrepreneurs have control over decision-making; employees nonetheless could provide a valuable insight. An organization can motivate and encourage generating ideas by reward system. Another way to foster strategic thinking is to provide specific training. (Enz 2010.)

4.3 Strategic analysis

Usually SWOT analysis is used as a tool to perform strategic analysis. SWOT analysis is an acronym, where letters stand for Strengths, Weaknesses, Opportunities and Threats. It is one of the most popular analytical tools. Usage of this technique to present results of strategic analysis will allow formulating future strategy. (Evans et al. 2003.)

4.3.1 External factors

As it was mentioned above, in order to perform external analysis usually PEST or SCEPTICAL analysis are used. In the scope of this thesis, it was decided to use PEST. In previous chapter, PEST acronym was explained, to further elaborate:

- Political factors: legislation and government policy;
- Economic factors: state of the economy and the distribution of wealth;
- Social factors: demographic change and trends in consumer behaviour that could dramatically affect market;
- Technological factors: in terms of new technology that could replace activities as virtual reality, also factors in the natural environment such as pollution. (Swarbrooke 2006.)

These factors' nature usually means that SMEs on their own are unable to influence them (Evans et al. 2003). In this context, "factors" could be replaced by the word "risks", and according to a guide to the Project Management Body of Knowledge (PMI 2013) there are four main ways to face a risk. Such concept,

what is also referred as ACAT, is widely used in risk management, and is a part of numerous standards issued by International Organization for Standardization.

First, it is to transfer a risk. Normally it means to insure your assets and products. Second option is to accept: if such risk occurs, the fallout would be so potent there is no reason to utilize insurances e.g. natural disaster or war. Other scenario is when a risk is too insignificant, so costs do not exceed losses.

The third alternative is risk avoidance by removing a possible cause. Mitigation by taking preventative measures is the last option. Such steps could be undertaken by provider or originally be set by government or respective institutions in a form of laws and regulations. For instance, to partake in an ATV safari all participants should wear proper outfits and helmets, and to be briefed about safety measures before joining the activity.

Therefore, in the scope of this work, focus is on the factors which could be mitigated and avoided. Such decision is based on an assumption that service provider has a comprehensive insurance policy, hence there is no reason to consider risk transferring. Moreover, there is also no ground to take into consideration accepted risks as they are of no influence on the strategy.

In the light of interview results (see Chapter 5.1), the following opportunities and threats could be identified:

Opportunities

- Extend and strengthen partner network
- Business and product development
- Positive market response to new strategy

Threats

- Climate changes
- Changing customer behaviour and needs
- Threatening demographic changes
- Increasing number of competitors

- Negative economic trends
- Threatening demographic changes
- Customer interest exceeds attraction capacity

4.3.2 Internal factors

Internal analysis covers the factors the service provider can control. To such factors belong company's strengths and weakness. John Swarbrooke (2006) recommends considering the following elements: organization, marketing system, products, attraction's position on the market, suppliers, marketing intermediaries, and competitive advantage. Next paragraphs elaborate and examine each element.

Organization includes financial and human resources. Work environment is an important aspect as it has direct influence on employee's perception of the company, and hence motivation, attitudes, and behaviour. Also the term "work environment" implies physical environment: amenities, equipment and working hours. It is essential to mention quality controlling and responsibility matrix as well. (Swarbrooke 2006.)

It could be a challenge to employ a right person who would fit perfectly in the team as it is a small family-type community where personal traits play an important role. The American Management Association's recent survey indicates that "when people's personal values and their company values are in alignment, their personal lives are more satisfactory and they feel more positive about their professional roles" (Deringer 2012). Therefore, it is essential not only to consider basic criteria but also applicant's personal qualities and values so integration process will be more smooth and natural.

To continue with employees, large presence of tacit knowledge creates a risk of knowledge leakage and superficial knowledge transfer if a worker makes a decision to leave the organization. Besides, there is no united customer database and low level of process formalization. On other hand, interview results hence my assumptions could be affected by the interviewee's reluctance to disclose sensitive information.

Second element is **marketing system** i.e. current marketing policy, its budget, success criteria, performance measures and responsible employees. To continue with **product**, it covers product range, service quality, supporting services. Furthermore, this element includes intangible characteristics as image and reputation, in other words, brand equity. (Swarbrooke 2006.)

Attraction's position on the market is comprised of such variables as accessibility, reason for visiting, usage rate, customer segment, position in family life-cycle, etc. Finally, two last elements could be united under one term "partner network" including suppliers and the quality of provided services, and marketing intermediaries. (Swarbrooke 2006.)

Competitive advantage is commenced from company's resources and capabilities. Having strong and distinctive competitive advantage could be a key to gain strategic advantage leading to a success. In general, Robinson and Manikin (2012) identify competitive advantage as a result of following a right strategy, facing present opportunities and risks.

The case company has a strong and comprehensive partner network (with one exception), solid relationships with the leading, and core partners, that could be exploited as a competitive advantage. Also the manager indicated such competitive advantages as quality, strong and positive company reputation.

To sum up, strengths and weaknesses (also based on information presented in Chapter 5.1.) are:

Strengths

- Product quality
- Sufficient number of product lines
- Product differentiation
- Inventory control
- Market share
- New customer segmentation policy
- Distribution channels

- Promotional programs for B2B customers
- Reputation
- Market leader
- Skills and experience
- Team spirit
- Competitive advantage
- Financial stability
- Operational and flexible budgets

Weaknesses

- Quality control: no established measures
- Missing potential customers and sales during high season due to heavy workload
- Lack of special programs for individual customers
- No united customer database
- Hard for new employees to fit in
- Shortage of specific skills
- Tacit knowledge
- Core values in correlation with internal policies
- No clear strategic orientation
- Short-term budgeting

4.4 SWOT analysis

According to Evans et al. (2003), SWOT should focus not only on impacts on past performance, but also on impact on future performance and on competitive advantage. Furthermore, author also advises to list maximum of seven items for each header (opportunities, threats, weaknesses and strengths). More extent lists could lead to confusion, and thus there is a risk that crucial issues could be effaced by less important factors.

Consequently, the table 1 below presents results of SWOT analysis and displays the most important points of each header.

<p style="text-align: center;">Strengths</p> <ol style="list-style-type: none"> 1. Product quality 2. Product differentiation 3. New customer segmentation policy 4. Distribution channels 5. Market leader 6. Skills and experience 7. Competitive advantage 	<p style="text-align: center;">Weaknesses</p> <ol style="list-style-type: none"> 1. Quality control: no established measures 2. Missing potential customers and sales during high season due to heavy workload 3. Lack of personalized approach to individual customers 4. No united customer database 5. Tacit knowledge 6. Core values in correlation with internal policies 7. Short-term budgeting
<p style="text-align: center;">Threats</p> <ol style="list-style-type: none"> 1. Climate changes 2. Changing customer behaviour and needs 3. Threatening demographic changes 4. Increasing number of competitors 5. Negative economic trends 6. Threatening demographic changes 7. Customer interest exceeds attraction capacity 	<p style="text-align: center;">Opportunities</p> <ol style="list-style-type: none"> 1. Extend and strengthen partner network 2. Business and product development 3. Positive market response to new strategy

Table 1. SWOT analysis of case company

4.5 Strategic decisions

Next chapters cover available goals and their evaluation criteria. Also summary of final goals for implementation is presented.

Evaluation criteria

Strategic decisions are primary choices for sustainable long-term development. Before choosing what decisions should be taken into actions it is important to be aware of all possible options. In order to make a decision each alternative should be evaluated. (Evans et al. 2003.)

Barrows and Powers (2009) mention in their work a checklist “Five Ws and an H” what could assist in decision assessment from every perspective:

- Who
- What
- Where
- When
- Why
- How

Besides evaluating a decision, it is essential already at this stage to set success criteria to know if this decision was a right one and what outcomes its implementation will result in (Barrows&Powers 2009). In addition, strategic decision must be in correlation with core values, and provide a foundation for determining alternative strategies (Enz 2010).

Widely used evaluation criteria are RACES (other acronyms are SCARE and CARES), which stand for Resources, Acceptable, Consistent, Effective and Sustainability. Another criterion is SFA framework (Suitability, Feasibility and Acceptability) which is used in this thesis. An option is suitable if it enables the company to achieve its objectives, take advantage of opportunities and avoid risks, employ strengths, and either avoid or address threats. (Evans et al. 2003.)

Second criterion is feasibility evaluating the chances if this decision brings success. To define how feasible an option is, it is necessary to evaluate required resources (human, material, cost, and time). Besides internal elements, external factors should be acknowledged as well. (Evans et al. 2003.)

Next assessment element is acceptability. Mostly it is associated with financial aspects i.e. stakeholders (Evans et al. 2003). Evans suggests also other definition: a strategic decision is acceptable when it meets requirements of those who design this strategy e.g. management team. However, entrepreneur of a family-run business basically takes decision solely, so it would be more objective to match a strategic option with company's core values and mission.

As high-level objective of each strategy is strengthening one's own competitive advantage, last check point is whether this decision results in creating competitive advantage or superior performance, etc (Evans et al. 2003). Evaluating strategic options financially is an essential assessment part, however it is not studied in this work as there were no financial data provided initially.

Decisions

Nowadays a crucial factor influencing organizational performance is the creation and transfer of knowledge. Nonaka (1994) studied the correlation of knowledge sharing and organisational learning. His research indicates that the successful operations are influenced by ability to manage existing knowledge, and by the effectiveness with which new knowledge is created and utilised. Companies with higher degree of explicit knowledge to tacit showed better performance. Therefore, one of the first decisions is to convert tacit knowledge to explicit to make it more accessible for employees. This helps to avoid problems if a key worker with a significant amount of accumulated tacit knowledge decides to leave the company. (Chaston 2011.)

Clusters, complementarities and cooperation in visitor attraction sector have an important meaning. Companies producing complementary products are no competitors as they each contribute to the product value (Weidenfeld et al 2011). For example, average customer package includes accommodation, transportation and attractions that are typically purchased as one single item via one provider.

Furthermore, as the service provider has a wide partner network it is essential to strengthen and nourish it, thus, one of the strategic goals is to evaluate and improve existing partner network. Objectives of such decision are (a) to group partners into the categories by their purpose, (b) to draw a current value chain, and (c) to establish what clusters the service provider is a part of.

Besides clusters, co-operation could be established between competitors to pursue various goals, for instance, to develop market, to eliminate “unhealthy” competition, to share R&D and marketing costs, to participate in fairs, etc. The term “cooperative competitors” is often used meaning that companies cooperate in some activities where compete in others (Weidenfeld et al 2011). A good example is when customer request exceeds actual provider’s capacity: a group of 30 people goes for ATV safari and the firm has only 20 ATVs. If there is an excellent rapport between the company and their horizontal competitors in the same area both organizations could share resources and act under one umbrella in that particular case.

Chinese general Sun Tzu once told to “keep your friend close, and your enemies closer”. This quote conveys my thoughts on the subject of provider’s approach to competitors. Service provider must not ignore competitors but rather try and establish competitive cooperation. That could result in healthy competition, constant pursuit to remain competitive and innovative. On other hand, there could be problems in building and maintaining trust. (Weidenfeld et al. 2011.)

Inadequate quality control is one of the weaknesses, and it is wise to address this problem. Furthermore, poor quality could affect customer satisfaction hence negatively affect reputation.

No united customer database is another weakness that results in incomplete customer knowledge. Consequently, it could lead to losing leads and opportunities, and especially in the light of recent demographic changes and economic crises, each customer matters.

Summary

The table 2 highlights strategic decisions. Sign “+” indicates if this particular option meets an evaluation criterion. Due to the extent of the bachelor’s thesis, the work is going to include only implementation of one strategic decision which is focusing on managing relationships with individual customers.

Decision	Suitability	Feasibility	Acceptability
Evaluate and improve existing partner network	+	+	+
Create competitive cooperation	+/- Depends on competitors as risks could outweigh benefits	+/- Low ratio of invested resources to outcomes	+
Quality controlling	+	+	+
Manage customer relationships	+	+	+
Convert tacit knowledge to explicit	+	+	+

Table 2. Strategic decisions and their evaluation

4.6 Strategic actions

Customer Relationship Management (CRM) is part of business strategy. CRM aims to increase the revenue and profit by improving the customer satisfaction. Successful CRM is a combination of IT and human resources. (Hytönen 2012.)

When introducing CRM, the definitions of lead, contact and opportunity should be explained. Usually a contact is a customer with whom the company shared or is sharing relationships, and consequently, having information about. From technical point of view, the contact is an entry in a customer database system. (Microsoft 2007b.)

A lead is an unclassified customer or a contact, e.g. a person or a company who does not explicitly show an intention to purchase a product yet. A lead can be a client requesting a brochure or asking for available products. When sales process starts (i.e. the contact is now ready to purchase a product), leads turn into opportunities. (Microsoft 2007b.)

As our service provider is a small business, at this stage they are not financially ready to deploy specific applications, hence invest in IT. Obtaining a free solution could be of great risk as they usually either have no customer support or a poor one. Strategic actions to implement this decision are designed to employ as little resources as possible in order to deliver and retain high customer satisfaction level.

Going back to CRM concept, four main elements of CRM are customer knowledge, relationship strategy, communication, and individual value proposition.

Customer knowledge

Customer knowledge implies understanding customers, their needs, desires and intentions. Customer knowledge is expressed via data, the quality of which depends on a number of factors such as technical standards and norms, its accessibility, and meeting database requirements (current, complete, correct, and unique). (Hytönen 2012.) In the case of our service provider, customer

knowledge is a major problem as it does not exist. Taking into consideration the fact that the service provider uses Google Disk, it is applicable to continue using Google as a technical tool: keeping elaborate contact information in a spreadsheet (analogue of Microsoft Excel table): first and last names, date of birth, country of origin, email, phone, customer ID, history of used services, spent money, adding comments, etc.

Individual value proposition

Value proposition is a statement explaining what benefits (price, discounts, etc) a customer can get when using the company products. The case company does not possess enough technical and human resources to maintain a big number of individualized value propositions. Nevertheless, it is possible to screen seasonal results and analyze consumer behavior to *create individualized pricing policies for specific customer groups* rather than individuals. (Hytönen 2012.)

Communication

Communication in this context implies the means how the customers contact the service provider. For the company N they are: direct email, personal visit or a phone call. For future perspective, it could be a good initiative to *create a form on the web-site contact page where customers can leave requests*.

Most contacts are made via email. Consequently, *proactive actions shall be taken to resolve email load in high seasons*. Solution to this problem could be adding filters to mail box to pre-sort emails. For example, partners' emails can be filtered to a separate folder as they do not have such high priority as incoming requests for activities.

Relationship strategy

Relationship strategy is basically a policy how the company interacts with their customers (channels, frequency, response time, contact plan, etc). *Relationship policy should be developed for each segment*. It is a common practice to build segment policies based on financial assessment (profitability of the segment).

For service provider these segments are represented by corporate and individual clients. (Hytönen 2012.)

Implementation plan

To conclude, the actions are following:

- add new communication channel via web-site contact page (request/contact form);
- take proactive measures to monitor and deal with email load in high seasons;
- establish relationship policies
 - to create individualized pricing policies for specific customer groups
 - pre-sales activities: lead and opportunities
 - after-sales activities: motivate to leave feedback and answer surveys (e.g. “please rate our product and get discount of n EUR for your next activity”), sending newsletters/specials/etc. Relationship policy limits contact means and frequency for each segment, moreover for opportunity or contact it could vary even within one segment (Microsoft 2007b);
 - for example, table 3 below illustrates in a simplified way how relationship policy could be documented.

Segment	Communication channel	Response time	Newsletters (channel, frequency)
	▪	▪	▪

Table 3. Documenting relationship policies

In the implementation process all employees participate, however some tasks can be carried out only by the manager as he has administrative rights to specific material resources.

4.7 Strategic outcomes

Strategic decisions lead either to success or failure. Certain results could be visible after a short time, but CRM is a long-term endeavor. It is important to have direct evaluation means. Therefore, it was decided to designate the following criteria. (Microsoft 2007b.)

- 15% increase of leads turning into contacts and then opportunities;
- reduced loss of opportunities during hot season workload to five percent;
- 100% availability and functionality of customer database, where data is current, complete, correct, and unique;
- retaining higher customer satisfaction level expressed via Customer Retention Rate (CRR) of 70% and churn rate of 50% (next chapter elaborates meaning of these rates);
- received feedbacks increased by 25%;
- after receiving newsletters and specials by email, 60% of recipient clicks an enclosed link and visit the company's website

At this point, it is impossible to speculate if chosen policy results in success, partial success or failure.

4.8 BSC

According to Kaplan and Norton (1992), early experience of using BSC already showed its advantages. First of all, one single management report combines various elements. Second, a senior manager is forced to have a holistic approach to consider operational measures. That allows perceiving what objective can be reached by improving another operational area, which in its turn allows decreasing irrelevant expenses.

The main idea behind BSC is to clarify and simplify four dimensions and to provide answers to four prime questions (Kaplan & Norton 2001):

- How does a customer perceive us? (Customer perspective)
- What should we improve? (Internal perspective)

- How do shareholders see us? (Financial perspective)
- How can we improve and create more value? (Learning and growth perspective)

The benefits of the BSC can be as significant for small businesses as it is for large corporations. Most small firms require less information to perform their operations and evaluate their performance. However, information value in SMEs is crucial to the success of such firms. (Bergen & Benco 2003.)

Furthermore, strategic planning process occurs faster in firms of ten people than in ones of ten thousand. Thirdly, the implementation measures for each perspective relate to each other and to the company's mission. In addition, the BSC emphasizes measures that are crucial to the successful implementation of strategy. (Bergen & Benco 2003.)

Table 3 presents BSC for the service provider. Objective of financial perspective is profitability measured by net profit and return on capital employed (ROCE) in contrast with previous year. Customer's perspective indicates such goals as growth of corporate market share and retention rate resulting in customer increase by 15%, and 70% CRR and 50% churn rate, respectively.

Churn rate is calculated by the following formula: the number of all customers who were lost during a time period, such as a month, is divided by the total number of customers, and multiplied by 100. This percentage indicates how many customers "cut ties" with the company. (Jäkälä 2013.)

In contrast, CRR shows how many customers stayed with the company. CRR is the difference between the total number of customers at the end of the period and new acquired customers during this period, divided by total number of customers in the previous period, and multiplied by 100%. (Jäkälä 2013.)

Third row contains information about employees' perspective with Key Success Indicator (KSI) up to 100%. Learning and growth part results in developing constantly functioning complete CRM database.

Balanced Scorecard

Perspective	Objectives	Measurement	Target
Financial	Profitability	Net profit ROCE	>15% 20% higher in comparison with previous yrs
Customer	Increase corporate segment	Nº of customers	+15%
	Increase retention rate	CRR Churn rate	70% 50%
Internal	Resource utilization	KSI	100%
Learning and Growth	Develop CRM approach	Completeness and availability of CRM database	100% and 100% (out of all working hours)

Table 4. BSC for the service provider (adapted from Nikkanen 2013)

5 Case company

Broad perspective and hence more valuable outcomes could be received only by facing the real-life challenge, circumstances and environment. Therefore, it was decided to use an existing business. Case company's profile is the following:

- less than 5 years, but at least 1 year of operation on the market;
- small business, fewer than 10 employees;
- program service provider in tourism industry;
- operating within visitor natural attraction.

One company (business' owner) agreed to provide the necessary support and materials for this project. It is a small family-run business. Due to agreement between parties the name of the organization is not going to be mentioned.

Further in the text, this firm is referred as Company N or simply N. As in-house data is used in this work, it was agreed between parties to keep case company name anonymous. Two interviews were held within one month time span.

5.1 Interview results

After conducting two interviews the following results were received and deduced:

Mission, vision, core values

N's mission is to provide good quality service to their customers. The Vision of the company is to become a leading program service provider in their region with a widest product range. Interviewee indicated their company's core values are:

- Environmental friendliness: N is committed to act in an environmental friendly way
- Quality: case company values their service quality and its consistency

Services

N's services vary from ATV and snowmobile safaris to rental services (skis, skates, sledges, etc). Recent product development was the opening sauna facility with competitive rental prices. Besides the sauna itself, there is enough space for partying and other events in the building. Pleasant lake scenery, a small pier in a few meters from the building and food and beverage options available create beneficial added-value to the product. In future N would like to focus more on promoting and developing this facility in order to make it their most popular product.

Safety and security

When conducting an activity, safety and security are one of the major concerns of the service provider. However, when ensuring the safety of the activities the safety procedures should not mar the experiences of the customers.

Employees have to obtain valid certifications proving their expertise and knowledge in order to use equipment and ensure customers' safety. In some cases, besides attending special training, employee should also get practical experience under supervision of fully licensed co-worker to become legally authorized to conduct activities on his/her own.

Human resources

There are six employees employed in company N. As it was mentioned above, case company is a family-run business. Officially, there is one General Manager (manager) but unofficially two family members equally participate in decision-making. Each employee has their own responsibility plan (list of tasks). Furthermore, every member of N team has some unique tasks that they are solely responsible for.

As for job portfolio, main criteria are:

- good interpersonal communication skills;
- Finnish, English language skills, Russian is an advantage;
- no special training, learning by working
- company N also offers unpaid internship for students

Sales

Figure 2 illustrates current four main income drivers and their shares of average annual turnover. Nearly half of income comes from groups i.e. Finnish corporate clients. In contrast, income from Russian groups is just 20%. Individual customers from Russia deliver approximately 35% of N's turnover. To sum up, Russian customers are a major segment group with 55% share, followed closely with 40% by Finnish corporate customers, and other clients with five percent.

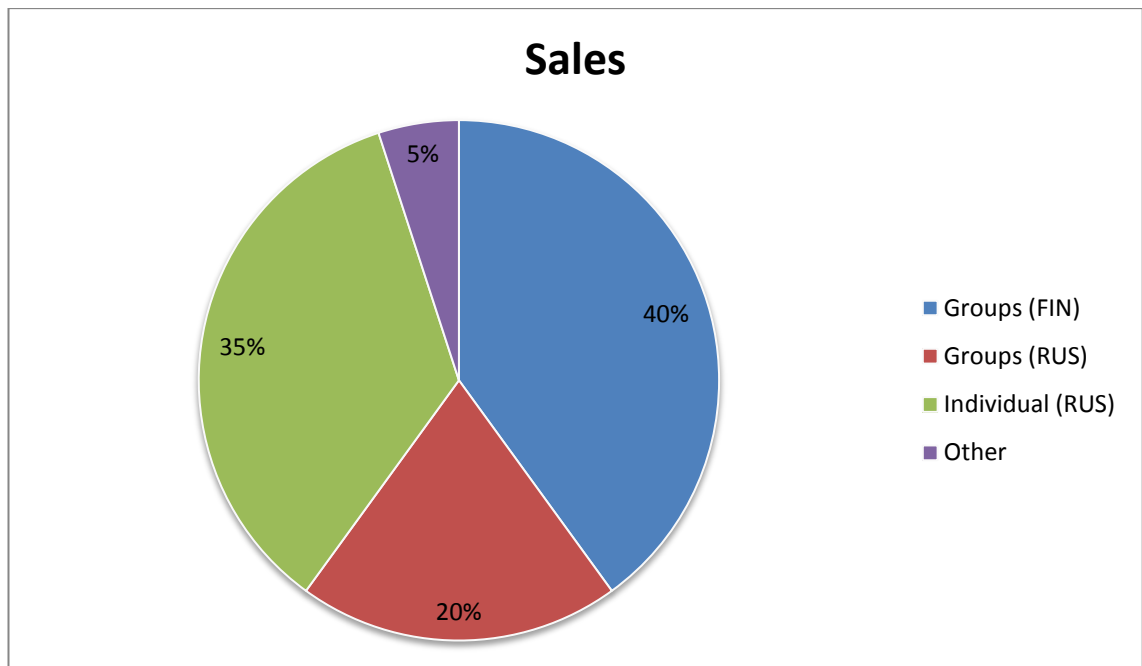


Figure 2. Sales

One of N's objectives regarding customer segmentation is to alter it and focus on corporate clientele both from Finland and Russia. Basis for such decision is both operational and financial. Corporate customers tend to order package services and hence spend more. Therefore, even despite corporate discounts, income from one group of n people is higher in comparison with income of n individual customers. As for operational aspect of this question, practically it is far more effortless to manage one group doing the same activities and later to perform equipment maintenance.

Communication with customers is conducted via email and phone. For internal purposes the following technologies are used:

- Google Disk (Gmail, Calendar)
- Dropbox
- Bookkeeping system

One of the current problems with sales is missing potential customers and sales during high season due to heavy workload. In other words, the company N receives too many emails during specific weeks of winter and summer, so workers are not able to reply within appropriate time period. When employees

finally contact a possible customer later on, usually such sale opportunity shifted to an alternative service provider.

Partners and competitors

N has a comprehensive partner network in Finland and Russia including travel agencies, tour operators, accommodation venues, destination management companies, organizations focusing on marketing travel and tourism in their respective areas. As there is no structured and united database in company N, it is challenging enough to provide exact number of partners. However, a reasonable approximation is over 100 allies.

In majority of cases partner-companies act as a mediator between customer and service provider or as a marketing tool. For the best retailers of their service on the Russian market N organizes incentive trip for 50 representatives about two times per year. Such trips are a good chance to strengthen business-to-business (B2B) relationships and to promote their services and quality.

It is essential to underline the significance of two core partners (hotels) N has exclusive agreements with. In addition, the case company has offices in these hotels; also these partners promote and advise their customers to use only N's activities (services). In other words, the hotels do not have agreements for the same products with other service providers at the same time. However, one of the core partners broke such agreement by letting another rental company in.

There are several rental services and safari tour (with ATVs and snowmobiles) providers within natural attraction where company N operates. According to interviewee, N does not face any strong competition on the market.

Financial statement and budgeting

Interviewee reported that variable costs include petrol, insurances, phone bills, posting, administrative costs. As for fixed ones, they are rent, employee salary, and planned maintenance. In general, net profit depends on the season and may vary from ten up to thirty percent.

Although the company's budget is drafted once or twice per month, it is flexible. Therefore, budget planning depends on levels of activity to make adjustments easier. Usually, a budget includes budgeted income statement (profit and loss account) and budgeted balanced sheet (Myller 2010).

An example of income statement (reporting the economic results/profitability of the company) is present below:

Sales Revenue
- Variable costs
= Gross Margin
- Fixed costs
= Operating profit (EBITDA)
- Depreciation expense
= Trading profit (EBIT)
- Interest expense
= Profit before taxes
- Direct taxes
= Net Profit or loss for the period,

where EBITDA is earnings before interest, taxes, depreciations and amortization, and EBIT means earnings before interest and taxes (Myller 2010).

As for balanced sheet, it reports the financial state of the company presenting the status of the assets, liabilities and ownership equities (Myller 2010). To sum up, budgeting of the company N could be classified as short-term, operational and flexible.

5.2 Discussion

The interview results indicate that strategic approach to company's development is lacking. Furthermore, there is a moderate level of strategic maturity within organization.

In addition, business concept in terms of core values and clear mission statement is confined to general ideas that do not fully reflect real situation. Though core values may reflect employees' ideal values, they should also include customer, product and business process perspectives. Moreover,

values shall not remain a dead letter, but they must be put into action at various operational stages from hiring decisions and daily tasks, to customer service. (Deringer 2012)

Therefore, one of the first steps before developing a strategy is to outline and understand their business concept. Without strong mission, vision and core values no proper strategy could be developed. Chapter 3 of this work is dedicated to forming a possible business concept for a service provider.

Another worrisome issue is the short-term planning. Some researchers even call it small businesses' disease. Less attention is devoted to analytical and conceptual stages, as implementation proceeds more uncomplicated and faster in small firms. Furthermore, sometimes evaluation measures are omitted during planning, and recalled only at the final stage.

To continue with this subject, entrepreneurs of SMEs sometimes solely rely on financial indicators disregarding other numbers. Using only one perspective limits outcome perception and can present results in inaccurate light. For example, when considering only net profit, it can show positive increase; however, CRR can be decreasing. That is a clear negative sign indicating that some actions shall be undertaken as soon as possible.

It is more challenging to have a clear picture when intangible objective is set, for example, improving customer satisfaction. There is no direct indicator showing level of customer satisfaction. Although it can be measured via indirect means as CRR, churn rate, ROCE, net profit, it is important nonetheless to agree on measures at planning phase.

To avoid above mentioned difficulties, it is necessary to use BSC which provides holistic view on all four perspectives (see Chapter 4.8. BSC). BSC and strategic management are of use to small business, though they are mostly associated with large companies.

Other conspicuous issue that should be addressed is process formalization. Earlier it was discussed that SMEs must avoid over-formalization, though some

level of formalization has positive impacts in terms of competencies, resource allocation and implementation controlling. (Baird et al. 1994)

Therefore, guideline is created for N to explain strategic process and a framework to be used for future analysis is presented. It is not a -by-step manual but rather list of recommendations and acknowledged practices.

5.3 Guideline for a program service provider

The guideline (see Appendix 1) addressing to a manager indicates important stages of strategic process as well. It could be also applicable to other program service provider operating within natural visitor attraction.

Tourism is a dynamic industry, therefore, it is advised to review this guideline and perform necessary adjustments to keep it as up-to-date as possible. Another reason for periodic revising is internal developments and constant changes.

6 Conclusion

This project resulted in the guideline for the program service provider. This guideline provides an outline of strategic process and presents a framework to be used for future analysis. The study also highlights recommendations how to improve business operations. Due to the extent of the bachelor's thesis, the work includes only implementation of one strategic decision which is focusing on pre- and after-sales.

Firstly, the terms "program service provider", "natural visitor attraction" and specifics of SME's operations within it were defined. Next step was conducting two interviews with a general manager of a case company. After analyzing interview results and theoretical input, business concept for the program service provider was created.

Before developing any strategy, the company should clearly understand their business concept (mission, vision and core values). This thesis presents an

example of such concept. Core values are considered from BSC perspective. This approach ensures that interests of all involved parties (customers, general manager, employees, and partners) are taken into account. Furthermore, values must be put into action at various operational stages from hiring decisions and daily tasks, to customer service (Deringer 2012).

Next step was to develop a strategy based on the case company and newly introduced business concept. In contrast with large organizations, small businesses do not have capacity to implement every strategic step by book. SMEs have an advantage of being more flexible by skipping unnecessary steps and making processes less formal. Other advantage is that planning and implementation stages proceed significantly faster. Consequently, some strategic outcomes are visible sooner, and necessary adjustments can be made within a short notice.

Based on SWOT analysis, it was decided to focus on five main goals. First objective was to convert tacit knowledge into explicit one (to formalize some processes) to make it more accessible for employees. This helps to avoid risks when a key employee with a significant amount of accumulated tacit knowledge decides to leave the company. However, it is important not to over-formalize processes as it can negatively affect business.

Other decision was to consider competitors as a chance for competitive cooperation, which can result in healthy competition, constant pursuit to remain competitive and innovative. Thirdly, there is a need to re-evaluate and improve existing partner network. Next goal was developing measures for better quality control.

This project focuses on implementation of CRM decision. It results in new communication channel via web-site contact page and establishing relationship policies. Implementing CRM approach assists in avoiding excessive load of leads and building appropriate response standards and policies, e.g. table 3.

Strategic outcomes are advised to be evaluated from BSC perspective, and direct metrics such as CRR, churn rate, net profit, and ROCE to be used.

The scope of the project was extensive, and it was challenging enough to keep focus on important aspects only. Other difficulty was that interviews did not reveal much and resulted in exclusively managerial perspective. Therefore, some decisions and conclusions were based on insufficient data. Taking into consideration this fact, if I were to make a similar study, I would conduct three or four interviews: one with general manager and second with two or three employees to get more holistic view on the business.

Nevertheless, the results exceeded my expectations. A solid framework was created that can be easily developed and expanded in the future. Further studies could focus on multiple service providers in various locations in order to modify and make the guideline applicable for other types of SMEs.

Writing this thesis gave me an opportunity to enlarge my knowledge of strategic management and CRM. Furthermore, it presented a great possibility to apply this knowledge, adapt and adopt strategy to meet the requirements of a small program service provider.

Figures

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Appendix 1. Guidelines for the program service provider

**GUIDELINES FOR THE PROGRAM SERVICE
PROVIDER**

Annotation

This guideline can be used as framework for strategic analysis. Please note it is not a step-by-step manual but rather a list of recommendations and acknowledged practices.

Reviews

Revision	Manager	Reason
dd.mm.yyyy	Name	Initial revision

1 Business concept

Mission: what we do, how we do it, who are our customers?

Service provider develops and delivers products (*activities*) such as ATV and snowmobile safaris, hiking tours, bike tours, etc and also rental services to their customers. The company operates within well-established safety measures and ensures customers' safety and security during activities. By providing personalized customer approach Service Provider generates unique business value thereby creating relative competitive advantage for their customers.

Vision: objectives

- to become the market leader in their area;
- to create outstanding customer value and retain a high satisfaction level;
- to develop a comprehensive network of partners;
- to be an attractive working place.

Core values: most important beliefs, principles, philosophy from four perspectives

- Employees' perspective
 - Team: as it is a family-run business, all people working together should respect and support each other.
 - Passion: passionate attitude towards the work and attention to details
 - Diversity: diverse skills and experiences, backgrounds and ideas
- Customers' perspective
 - Creating fun: creating unforgettable experience and memories for customers

- Customer satisfaction: create outstanding customer value and retain a high satisfaction level
- Business operation's perspective
 - Integrity: cohesive process organization, a certain wholeness between functions and participants
 - Efficiency: efficient ways to perform tasks and solve problems in the least wasteful manner; constant commitment to improve performance
- Product perspective
 - Quality: quality service what exceeds customer's expectations and needs
 - Environmental friendliness: activities are designed in a such way to minimize negative environmental impact, to protect and preserve natural heritage

2 Strategic management

2.1 Strategic process



2.2 Strategic analysis

External analysis: PEST

- Political factors: legislation and government policy;
- Economic factors: state of the economy and the distribution of wealth;
- Social factors: demographic change and trends in consumer behaviour what could dramatically affect market;
- Technological factors: in terms of new technology that could replace activities as virtual reality, also factors in the natural environment such as pollution.

Internal analysis:

- Organization: human and financial resources, work environment
- Marketing system: marketing policy, its budget, success criteria, performance measures and responsible employees
- Product: product range, service quality, supporting services, intangible characteristics brand equity.
- Attraction's position on the market: accessibility, reason for visiting, usage rate, customer segment, position in family life-cycle, etc.
- Partners: suppliers, marketing intermediaries, core partners, etc; their service/product quality
- Competitive advantage = company's resources + capabilities.

Note:

Resources could be of 5 types: human, material, financial, time and intangible

Note:

converting tacit knowledge into explicit helps to decrease risks

SWOT

Strengths	Weaknesses
Threats	Opportunities

Note:

Remember 7 points rule

2.3 Strategic decisions

- List all available options
- Evaluate against SFA framework

Decision	Suitability	Feasibility	Acceptability	Competitive advantage
	objective achieved? takes advantage of opportunities? risks avoided? strengths exploited? threats avoided or addressed?	evaluate required resources external resources?	in alignment with company's core values?	competitive advantage or superior performance?

➤ Finalize your decision

Recommended decisions:

- Evaluate and improve existing partner network
- Create competitive cooperation
- Quality controlling
- Manage customer relationships
- Covert tacit knowledge to explicit

2.4 Strategic actions

- allocate resources
- implement
- control
- make adjustments
- BSC

Note:

Risks can be:

- Transferred
- Avoided
- Accepted
- Mitigated

Recommended actions for the decision “Manage customer relationships”:

- to add new communication channel via web-site contact page (request/contact form);
- to take proactive measures to monitor and deal with email heavy load in high seasons;
- to establish relationship policies
 - to create individualized pricing policies for specific customer groups
 - pre-sales activities: lead and opportunities
 - after-sales activities:
 - ✓ motivate to leave feedback and answer surveys (e.g. “please rate our product and get discount of n EUR for your next activity”)
 - ✓ sending newsletters/specials/etc.

- ✓ for example, table below illustrates in a simplified way how relationship policy could be documented:

Segment	Communication channel	Response time	Newsletters (channel, frequency)
	▪	▪	▪

2.5 Strategic outcomes

- evaluate outcomes, use BSC (example for CRM implementation)

Balanced Scorecard

Perspective	Objectives	Measurement	Target
Financial	Profitability	Net profit ROCE	>15% 20% higher in comparison with previous yrs
Customer	Increase corporate segment	Nº of customers	+15%
	Increase retention rate	CRR Churn rate	70% 50%
Internal	Resource utilization	KSI	100%
Learning and Growth	Develop CRM approach	Completeness and availability of CRM database	100% and 100% (out of all working hours)

Appendix 2. List of questions for the interviews

- What are your objectives? Values? Mission?
- Seasonality: off-peak, high season
- Cooperation with other sectors (accommodation, transport, travel organizers, destination organization)
- Competitive advantage? (owner's perspective)
- Environmental issues. How does natural attraction affect your business? Any specific environmental requirements to be considered for operations?
- Resources:
 - o Human:
 - Job portfolio: skills, training, experience, age, etc
 - How to motivate your employees?
 - Feedback?
 - Rules, plans, statusing and reporting?
 - Innovation and creativity?
 - Structure?
 - Rituals, symbols?
 - o Financial: liabilities, income, variable costs, fixed costs, net profit, how to prioritize the investments? Budgeting (how often, rolling budget, flexible)?
 - o Physical: lease/own, maintenance
 - o Intangible – is their brand well-known? What image? Reputation?
- Sales % (walk-in or booking? In person or e-commerce?)
- Customers:
 - o Disabled people
 - o Cross-cultural differences
 - o Mini-monopoly?
 - o How do you choose your segment? Criteria?
 - o Number of customer's per annum
- Product – low/high price vs low/high quality
- Product development – how? When? What motivates?
- Technological influence? IT

- Politics & economics (e.g. visas, legislation and regulations: do they limit the performance or possibilities?)
- Core aspects of your business
 - o Primary activities: transportation, on-site services, marketing and sales, retail, customer service
 - o Support activities: infrastructure, HR, product and service development, technology development, procurement